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PART II—Section 2

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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन
 के रूप में रखा जा सके।
 Separate paging is given to this Part in order that it may be filed
 as a separate compilation

LOK SABHA

The following Bills were introduced in Lok Sabha on the 20th December, 85:—

BILL NO. 209 OF 1985

A Bill further to amend the Industrial Development Bank of India Act, 1964.

Be it enacted by Parliament in the Thirty-Sixth Year of the Republic of India as follows:—

- | | |
|--|------------------------------------|
| 1. This Act may be called the Industrial Development Bank of India (Amendment) Act, 1985.

2. In section 2 of the Industrial Development Bank of India Act, 1964 (hereinafter referred to as the principal Act),— | Short title. |
| (a) in clause (c),— | Amend-
ment of
section
2. |
| (i) for sub-clause (iii), the following sub-clause shall be substituted, namely:—

“(iii) mining including development of mines;”;

(ii) in sub-clause (v), for the words “by air”, the words “by air or by ropeway or by lift” shall be substituted;

(iii) for sub-clause (vi), the following sub-clause shall be substituted, namely:—

“(vi) the generation, storage or distribution of electricity or any other form of energy;”;

(iv) in sub-clause (vii), for the word “machinery”, the words “machinery or equipment” shall be substituted; | |

(v) for sub-clause (ix), the following sub-clause shall be substituted, namely:—

“(ix) the setting up of, or development of, an industrial area or an industrial estate;”;

(vi) for sub-clause (xii) and the *Explanation* below that sub-clause, the following sub-clauses and *Explanation* shall be substituted, namely:—

‘(xii) providing engineering, technical, financial, management, marketing or other services or facilities for industry;

(xiii) service industry such as altering, ornamenting, polishing, finishing, oiling, washing, cleaning or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal;

(xiv) providing medical, health or other allied services;

(xv) providing services relating to information technology, telecommunication or electronics;

(xvi) leasing, sub-leasing or giving on hire or hire-purchase of industrial plants, equipments, machinery or other assets including vehicles, ships and aircraft;

(xvii) such other activity as the Central Government may, having regard to the objects of this Act, by notification in the Official Gazette, specify in this behalf; or

(xviii) the research and development of any concept, technology, design, process or product whether in relation to any of the matters aforesaid, including any activities specified under sub-clause (xvii), or any other matter.

Explanation.—The expression “processing of goods” includes any art or process for producing, preparing or making an article by subjecting any material to a manual, mechanical, chemical, electrical or any other like operation.’;

(b) for clause (da), the following clause shall be substituted, namely:—

‘(da) “nationalised bank” means a corresponding new bank specified in the First Schedule to the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or a corresponding new bank specified in the First Schedule to the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980.’

5 of 1970.

40 of 1980.

Amend-
ment of
section 3.

3. In section 3 of the principal Act, in sub-section (4), the word “other” shall be omitted.

Amend-
ment of
sec-
tion 4.

4. In section 4 of the principal Act,—

(a) for the words “one hundred crores of rupees”, the words “one thousand crores of rupees” shall be substituted;

(b) in the proviso, for the words “five hundred crores of rupees”, the words “two thousand crores of rupees” shall be substituted.

5. In section 6 of the principal Act, after sub-section (4), the following sub-section shall be inserted, namely:—

“(4A) Subject to the provisions of sub-section (4), every director nominated under sub-clause (iii) or sub-clause (v) of clause (c) of sub-section (1) shall hold office for such term not exceeding three years, as the Central Government may specify in this behalf.”.

6. In section 6A of the principal Act, for clause (iii), the following clause shall be substituted, namely:—

“(iii) the Industrial Reconstruction Bank of India, established under section 3 of the Industrial Reconstruction Bank of India Act, 1984;”.

62 of 1984.

Amend-
ment of
sec-
tion 6.

7. In section 9 of the principal Act, in sub-section (1),—

(a) after clause (c), the following clause shall be inserted, namely:—

“(ca) granting lines of credit or loans and advances to the Industrial Finance Corporation, any State Financial Corporation or any other financial institution which may be notified by the Central Government in this behalf, for the purpose of any business of such Corporation or institution;”;

(b) after clause (db), the following clause shall be inserted, namely:—

“(dc) granting loans and advances to any person for purposes of investment in any industrial concern;”;

(c) after clause (g), the following clause shall be inserted, namely:—

“(ga) granting, opening, issuing, confirming or endorsing letters of credit and negotiating or collecting bills and other documents drawn thereunder;

(gb) providing consultancy and merchant banking services in or outside India;

(gc) acting as the trustee for the holders of debentures or other securities;

(gd) acquiring, with the approval of the Central Government, the undertaking, including the business, assets and liabilities of any institution the principal object of which is the promotion or development of industry in India, or the grant of financial assistance for such promotion or development;”;

(d) in clause (i), after the word “technical” the words, “legal, marketing” shall be inserted;

(e) for clause (k), the following clause shall be substituted, namely:—

“(k) promoting, forming or conducting or associating in the promotion, formation or conduct of companies, subsidiaries, societies, trusts or such other associations of persons as it may deem fit;”.

Amend-
ment of
sec-
tion 6A.

Amend-
ment of
sec-
tion 9.

Insertion
of new
section
11B.

- * 8. After section 11A of the principal Act, the following section shall be inserted, namely:—

Power
to ac-
quire
rights.

"11B. The Development Bank shall have the right to acquire, by transfer or assignment, the rights and interests of any public financial institution as defined in section 4A of the Companies Act, 1956 (including, any other rights incidental thereto) in relation to any loan or advances granted, or any amount recoverable by such institution, either in whole or in part, by the execution or issue of any instrument or by the transfer of any instrument or in any other manner.”.

1 of 1956

Amend-
ment of
sec-
tion 34.

9. In section 18 of the principal Act, in sub-section (2), after the words, figures and letters “the 30th day of June each year”, the words “or such other date, as the Central Government may, by notification in the Official Gazette, appoint” shall be inserted.

Amend-
ment of
sec-
tion 21.

10. In section 21 of the principal Act, in sub-section (2), after the words, figures and letters “the 30th day of June each year”, the words “or such other date, as the Central Government may, by notification in the Official Gazette, appoint” shall be inserted.

Substi-
tution of
sec-
tion 34.

11. For section 34 of the principal Act, the following section shall be substituted, namely:—

Act 10 of
1949
not to ap-
ply to
Deve-
lop-
ment
Bank.

"34. Nothing contained in the Banking Regulation Act, 1949 except section 34A and section 36AD thereof, shall apply to the Development Bank.”.

STATEMENT OF OBJECTS AND REASONS

The Industrial Development Bank of India (the Development Bank) established under the Industrial Development Bank of India Act, 1964 is the principal financial institution for providing credit and other facilities for the development of industry, for coordinating the working of institutions engaged in financing, promoting or developing industries and for assisting the development of such institutions. The Development Bank has been providing direct financial assistance to large and medium large industrial concerns and also providing help to small and medium industrial concerns through banks and State-level financial institutions. In the light of experience gained over the years, it is felt necessary to make some new activities also eligible for financial assistance and to enlarge the scope of business of the Development Bank to cover certain activities which the Development Bank could not take up in the absence of enabling provisions. It is also felt necessary to enlarge the capital base so as to enable the Development Bank to cater to the growing volume of business. It is also proposed to provide more operational flexibility to the Development Bank to enable it to discharge more effectively its functions as the principal financial institution for the development of industries.

2. The main proposals are as follows:

(a) The present definition of 'industrial concern' as contained in the Act does not include many important activities. It is, therefore, proposed to widen the definition of 'industrial concern' so as to enable the Development Bank to provide financial assistance to certain sectors like storage of energy, development of mines, medical, health or allied services, leasing and sub-leasing activities, information technology, telecommunications and electronics. It is also proposed to empower the Central Government to bring within the purview of the definition 'industrial concern' engaged in activities which may be found to be supportworthy.

(b) In view of the expanding volume of its business and the expected growth in the Development Bank's activities, it is proposed to raise the authorised capital of the Bank from Rs. 500 crores to Rs. 1,000 crores which limit may be increased by the Central Government up to Rs. 2,000 crores by notification in the Official Gazette.

(c) It is proposed to enlarge the scope of business which the Development Bank can undertake by empowering it to grant lines of credit or loans and advances, otherwise than by way of subscription to shares/debentures, to Industrial Finance Corporation of India, State Financial Corporations or any other financial institutions notified by the Central Government, to grant loans and advances to any person for purposes of investment in any industrial project to open and advise letters of credit and to negotiate or collect bills and other documents drawn thereunder, to provide consultancy and merchant banking services in or outside India, to act as trustee for the holders of

debentures and other securities and to provide for acquisition of business and undertaking of any other financial institution. In view of these amendments, the Development Bank will be able to undertake these activities and discharge its role as the principal financial institution.

(d) It is proposed to amend the Act to enable the Development Bank to open offices even at the place where it has its head office.

(e) A new provision is sought to be inserted to enable the Development Bank to purchase the participation certificates under the Participation Certificate Scheme operated by IDBI, IFCI and ICICI providing for a single window clearance of the proposals for setting up an industrial unit, and speedy availability of funds for the project.

(f) Presently, the directors nominated by the Central Government from amongst the employees of the Development Bank and the financial institutions and persons having special skills and experience, hold office during the pleasure of the Central Government. It is proposed to provide that such members shall hold office for such term not exceeding three years as the Central Government may specify.

(g) The accounting year of the Development Bank at present is from 1st July to 30th June. It is proposed to amend the Act to provide flexibility to the Development Bank to change the accounting year, if need be.

3. It is also proposed to make certain other minor and consequential amendments in the Act.

4. The Bill seeks to achieve the above objects.

NEW DELHI;

VISHWANATH PRATAP SINGH.

The 13th December, 1985.

FINANCIAL MEMORANDUM

The authorised and paid-up capital of IDBI is Rs. 500 crores and Rs. 445 crores respectively, at present. Clause 4 of the Bill seeks to increase the authorised capital of the Industrial Development Bank of India (IDBI) from five hundred crores of rupees to one thousand crores of rupees, with an enabling provision to increase it to rupees two thousand crores, by notification. The proposed amendment would enable the Central Government to fix the authorised capital of the IDBI by notification from time to time taking into account the actual requirements, within the prescribed limit of two thousand crores of rupees. The Central Government alone is empowered to subscribe to the share capital of the IDBI as per the IDBI Act. The Central Government will, therefore, be required to subscribe to the share capital of the IDBI to the extent of the enhanced amount of paid-up capital as may be fixed from time to time. This would be a non-recurring expenditure from the Consolidated Fund of India. The outgo of funds would be to some extent offset by the profit transferred annually by the IDBI to Government of India. In 1984-85, the IDBI transferred an amount of rupees thirty-two crores to the Government of India.

2. The Bill would not involve any other recurring or non-recurring expenditure.

BILL No. 210 OF 1985

A Bill further to amend the Industrial Finance Corporation Act, 1984.

Be it enacted by Parliament in the Thirty-sixth Year of the Republic of India as follows:—

Short title
and
commencement.

1. (1) This Act, may be called the Industrial Finance Corporation (Amendment) Act, 1985.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint and different dates may be appointed for different provisions of this Act.

Amend-
ment of
section 2.

2. In section 2 of the Industrial Finance Corporation Act, 1948 ^{15 of 1948.} (hereinafter referred to as the principal Act), in clause (c),—

(a) for sub-clause (v), the following sub-clause shall be substituted, namely:—

“(v) the generation, storage or distribution of electricity or any other form of energy;”;

(b) in sub-clause (vii), for the word “machinery”, the words “machinery or equipment” shall be substituted;

(c) for sub-clause (ix), the following sub-clause shall be substituted, namely:—

“(ix) the setting up of, or development of, an industrial area or an industrial estate;”;

(d) in sub-clause (xi), the word "or" occurring at the end shall be omitted;

(e) for sub-clause (xii) and the *Explanation* below that sub-clause, the following sub-clauses and *Explanation* shall be substituted, namely:—

'(xii) providing engineering, technical, financial, management, marketing or other services or facilities for industry;

(xiii) providing medical, health or other allied services;

(xiv) providing services relating to information technology, tele-communication or electronics;

(xv) leasing, sub-leasing or giving on hire or hire-purchase of industrial plants, equipments, machinery or other assets, including vehicles, ships and aircraft;

(xvi) such other activity as the Central Government may, having regard to the objects of this Act, by notification in the Official Gazette, specify in this behalf; or

(xvii) the research and development of any concept, technology, design, process or product, whether in relation to any of the matters aforesaid, including any activities specified under sub-clause (xvi), or any other matter.

Explanation.—For the purposes of sub-clause (i), the expression "processing of goods" includes any art or process for producing, preparing or making an article by subjecting any material to a manual, mechanical, chemical, electrical or any other like operation;.

3. In section 4 of the principal Act, after sub-section (1C), the following sub-sections shall be inserted, namely:—

...."**(ID) ON or after the commencement of the Industrial Finance Corporation. (Amendment) Act, 1985, the authorised capital of the Corporation may be increased to such amount not exceeding two hundred and fifty crores of rupees as the Central Government may, from time to time, by notification in the Official Gazette, fix.**

Amend-
ment of
section 4.

(IE) The authorised capital increased under sub-section (IBD) shall be divided into such number of shares of five thousand rupees each as may be necessary and the shares representing the capital so increased may be issued with the sanction of the Central Government as and when the Corporation may deem fit."

4. In section 10 of the principal Act, in sub-section (1),—

Amend-
ment of
section 10.

(a) for clause (a), the following clause shall be substituted, namely:—

"(a) a Chairman and a Managing Director to be appointed by the Central Government after consultation with the Development Bank:

Provided that the same person may be appointed to function both as Chairman and as Managing Director;";

(b) after clause (b), the following clause shall be inserted, namely:—

"(bb) one Director nominated by the Reserve Bank;".

**Amend-
ment of
section
10A.**

5. In section 10A of the principal Act,—

(a) in sub-section (1), after the words "Chairman of the Board", the words "or the Managing Director and, in a case where the same person is appointed to function both as Chairman and as Managing Director, such person" shall be inserted;

(b) for sub-section (2), the following sub-section shall be substituted, namely:—

"(2) The Chairman and the Managing Director shall hold office for such term not exceeding five years as the Central Government may specify in this behalf and shall be eligible for re-appointment.";

(c) in sub-section (2A),—

(i) for the word "Chairman", at both the places where it occurs, the words "Chairman or the Managing Director" shall be substituted;

(ii) for the words "specified in", at both the places where they occur, the words "specified under" shall be substituted;

(d) after sub-section (3), the following sub-section shall be inserted, namely:—

"(3A) The Managing Director shall exercise such powers and discharge such duties as are assigned to him by this Act or as may be delegated to him by the Board or the Chairman.";

(e) in sub-section (4), for the portion beginning with the words "If the Chairman is of opinion" and ending with the words "the Chairman may take such action", the following shall be substituted, namely:—

"Notwithstanding anything contained in sub-section (3), the Chairman or, in his absence, the Managing Director, is of opinion that circumstances exist which render it necessary for him to take immediate action in respect of any matter which is within the competence of the Board and that the interests of the Corporation may be prejudicially affected if such action is deferred until after the next meeting of the Board, then he may take such action".

**Amend-
ment of
section 11.**

6. In section 11 of the principal Act,—

(a) in sub-section (2), for the words "four years", the words "three years" shall be substituted;

(b) in the proviso to sub-section (4), after the word "Chairman", the words ", Managing Director" shall be inserted.

7. In section 12 of the principal Act, in clause (a), after the words "the Chairman", the words "or the Managing Director" shall be inserted.

Amend-
ment of
section 12.

8. In section 13 of the principal Act, in sub-section (1), after the words "the Chairman", the words "or the Managing Director" shall be inserted.

Amend-
ment of
section 13.

9. In section 13A of the principal Act, after the word "Board", the words "or the Managing Director" shall be inserted.

Amend-
ment of
section
13A.

10. In section 17 of the principal Act,—

Amend-
ment of
section 17.

(a) for sub-section (5), the following sub-section shall be substituted, namely:—

"(5) The Chairman or, if for any reason he is unable to attend a meeting of the Board, the Managing Director or, in the event of both the Chairman and the Managing Director being unable to attend such meeting, any other Director nominated by the Chairman in this behalf and in the absence of such nomination any Director elected by the Directors present from among themselves, shall preside at the meeting.";

(b) in sub-section (6),—

(i) after the word, brackets and letter "clause (b)" at both the places where they occur, the words, brackets and letters "or clause (bb)" shall be inserted;

(ii) after the words "Central Government", the words "or the Reserve Bank" shall be inserted.

11. In section 19 of the principal Act, after the words "State Co-operative Bank", the words "or, with the approval of the Reserve Bank, with any bank outside India" shall be added.

Amend-
ment of
section 19.

12. In section 20 of the principal Act, for the words "the shares of any financial institution which the Central Government may, in consultation with the Development Bank, notify in this behalf", the words "the units of the said Unit Trust of India, or the shares, bonds or debentures of any financial or development institution or organisation" shall be substituted.

Amend-
ment of
section 20.

13. In section 21 of the principal Act,—

Amend-
ment of
section 21.

(a) in sub-section (3), the proviso shall be omitted;

(b) in sub-section (4) for the words "or, with the general or special approval of the Central Government, from any other authority or institution in India", the words "the Life Insurance Corporation of India established under section 3 of the Life Insurance Corporation Act 1956 the General Insurance Corporation of India formed and registered under the Companies Act, 1956, the Unit Trust of India established under section 3 of the Unit Trust of India Act, 1963, or, with the general or special approval of the Central Government, from any other authority, institution, organisation or trust within or outside India" shall be substituted.

Amend-
ment of
section 23.

14. In section 23 of the principal Act,—

(a) in clause (a), in sub-clause (ii), the word "State" shall be omitted;

(b) in clause (e),—

(i) after the word "Development", the words "or any other international or national institution or organisation" shall be inserted;

(ii) for the words "or debentures subscribed, by either of them", the words "or stocks, shares, bonds or debentures subscribed, by any of them or on their behalf" shall be substituted;

(c) in clause (k),—

(i) after the word "technical", the words ", legal, marketing" shall be inserted;

(ii) for clause (1), the following clause shall be substituted, namely:—

"(1) providing consultancy and merchant banking services in and outside India;".

Amend-
ment of
section
30A.

15. In section 30A of the principal Act,—

(a) in sub-section (1), for the words "Directors of that industrial concern", the words "Directors, or, as the case may be, the Administrator of that industrial concern" shall be substituted;

(b) in sub-section (2), for the words "firm or company to be the managing agents", the words "to be the Manager" shall be substituted.

Amend-
ment of
section
30B.

16. In section 30B of the principal Act,—

(a) for clause (a), the following clause shall be substituted, namely:—

"(a) all persons holding, immediately before the issue of the notified order, office as Directors of the industrial concern or any other offices entitling them to exercise powers of superintendence, direction and control of the industrial concern, shall be deemed to have vacated their offices as such;"

(b) in clause (b), the words "any Managing Agent or" shall be omitted;

(c) for clause (c), the following clause shall be substituted, namely:—

"(c) the Manager, if any, appointed under section 30A, shall be deemed to have been appointed in pursuance of the provisions of the Companies Act, 1956 and the memorandum and articles of association of, the industrial concern or, as the case may be, of any law for the time being in force relating to co-operative societies and the memorandum or other instrument of, the industrial concern, and the provisions of the said Act or law, and of the memorandum and articles of association, or, as the

case may be, memorandum or other instrument shall, subject to the other provisions contained in this Act, apply accordingly, but no such Manager shall be removed from office except with the previous consent of the Corporation;”;

(d) in clause (d), for the word “Directors”, at both the places where it occurs, the words “Directors or, as the case may be, Administrator” shall be substituted;

(e) for clause (e), the following clause shall be substituted, namely:—

“(e) the Directors appointed under section 30A shall, for all purposes, be the Directors of the industrial concern duly constituted under the Companies Act, 1956 or under any law for the time being in force relating to co-operative societies, and such Directors or, as the case may be, the Administrator appointed under section 30A, shall alone be entitled to exercise all the powers of the Directors (by whatever name called) of the industrial concern, whether such powers are derived from the said Act or law or the memorandum or articles of association or, as the case may be, the memorandum or other instrument of the industrial concern;”.

1 of 1956.

17. In section 30C of the principal Act, in sub-sections (1) and (2), for the word “Directors”, the words “Directors or Administrator” shall be substituted.

Amend-
ment of
section
30C.

18. In section 30D of the principal Act,—

Amend-
ment of
section
30D.

(a) in sub-section (1), for the words “no managing agent, Managing Director or any other Director of an industrial concern”, the words “no Managing Director or any other Director or Manager or holder of any office having the powers of superintendence, direction and control of an industrial concern” shall be substituted;

(b) in sub-section (2), for the words “managing agent or Managing Director or any other Director”, the words “Managing Director or any other Director or Manager or holder of office referred to in that sub-section” shall be substituted.

19. In section 38A of the principal Act, after the word “Director”, at both the places where it occurs, the words “or Administrator” shall be inserted.

Amend-
ment of
section 38A.

20. In section 40A of the principal Act, after the words “the Chairman”; the words “Managing Director” shall be inserted.

Amend-
ment of
section 40A.

21. In section 43 of the principal Act,—

Amend-
ment of
section 43.

(a) in sub-section (1), after the words “Development Bank”, the words “and by notification in the Official Gazette” shall be inserted;

(b) in sub-section (2).—

(i) in clause (ee), after the word “Chairman”, the words “, Managing Director” shall be inserted;

(ii) in clause (m), after the word “Directors”, the words “or Administrator” shall be inserted.

Substitution
of Sche-
dule.

22. For the Schedule to the principal Act, the following Schedule shall be substituted, namely:—

“THE SCHEDULE

[See section 39 (3)]

DECLARATION ON FIDELITY AND SECRECY

I,....., do hereby declare that I will faithfully, truly and to the best of my skill and ability execute and perform the duties required of me as Director, member of..... committee, auditor, officer or other employee (as the case may be) of the Industrial Finance Corporation of India and which properly relate to the office or position held by me in or in relation to the said Corporation.

I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the Industrial Finance Corporation of India or to the affairs of any person having any dealing with the said Corporation, nor will I allow any such person to inspect or have access to any books or documents belonging to or in the possession of the said Corporation and relating to the business of the said Corporation or the business of any person having any dealing with the said Corporation.

Signed before me.

Signature.....

Date.....”.

STATEMENT OF OBJECTS AND REASONS

The Industrial Finance Corporation of India was set up in 1948 as an All-India Term Lending Institution. Its operations and activities have expanded considerably over the years. In order to cope up with this expanding role and in the light of the experience gained in the functioning of the Corporation, since the Industrial Finance Corporation Act, 1948 was last amended in 1982, it has become necessary to make some amendments in the Act.

2. The amendments are mainly aimed at enlarging the area of operations of the Corporation in view of the rapid technological developments in the industrial field, augmenting its resources, re-organising its management pattern, and removing certain unnecessary restrictions in the procedural and operational matters of the Corporation. The main proposals for the amendments are as follows:—

(a) Industrial Finance Corporation of India provides various types of facilities to 'industrial concerns'. The present definition of 'industrial concern' as contained in the Industrial Finance Corporation Act does not cover many important activities. It is, therefore, proposed to widen the definition of 'industrial concern' by including the concerns engaged, *inter alia*, in areas such as setting up of hospitals and providing medical services, providing telecommunication and electronics services and leasing of plants and equipments, etc. It is also envisaged to provide for an enabling clause so as to confer powers on the Central Government to direct the Corporation to undertake any other activity which the Central Government may notify.

(b) In view of the constantly expanding business of the Corporation and the increasing cost of the projects, it is proposed to raise the authorised capital of the Corporation from the present limit of Rs. 100 crores to an amount not exceeding Rs. 250 crores as may be fixed by the Central Government by notification, from time to time.

(c) At present, the Act enables the Central Government to appoint a whole-time Chairman of the Corporation. It is proposed to provide for the office of the Managing Director also, on the same pattern as in the case of the Industrial Development Bank of India, Industrial Reconstruction Bank of India and the nationalised banks. This will provide greater flexibility to the Government to appoint a separate Managing Director, if felt necessary. It is also proposed to have a Director nominated by the Reserve Bank of India on the Board of the Corporation.

(d) The Act, at present, enables the Corporation to open Deposit Accounts with the Reserve Bank of India or its agency or with a scheduled bank or a State Cooperative Bank. For better management of its operations of borrowings, lending and repaying in foreign currency it is proposed that the Corporation may open Deposit Accounts with any other bank outside India with the approval of the Reserve Bank.

(e) Presently the Corporation is authorised to invest in the shares of any financial institution notified by Central Government. With a view to enlarge the scope of activities of the Corporation, it is proposed that the Corporation could subscribe to the shares, bonds, debentures of any financial or development institution or organisation.

(f) With a view to provide more flexibility to the Corporation in raising resources, it is proposed to remove the present limit of Rs. 15 crores on borrowings by the Corporation, from the Reserve Bank of India.

(g) It is proposed to make an enabling provision in the Act so as to authorise the Corporation to borrow money from the Life Insurance Corporation of India, the General Insurance Corporation of India and the Unit Trust of India as also from any other authority, institution, organisation or trust within or outside India with the approval of the Central Government besides borrowings from the Central Government or the Industrial Development Bank of India.

(h) At present the Corporation has no power to guarantee loans raised by industrial concerns from co-operative banks other than State Cooperative Banks. In order to provide for greater flexibility to the Corporation, it is proposed to enable the Corporation to guarantee loans raised from any cooperative bank.

(i) The Corporation can act as an agent of the Central Government or with its approval for the International Bank for Reconstruction and Development. It is proposed to enable the Corporation to act as an agent for any other national or international institution or organisation with the approval of the Central Government.

(j) It is proposed to widen the scope of assistance of the Corporation to industrial concerns by providing that the Corporation can give 'legal and marketing' assistance to the industrial concerns as also consultancy and merchant banking services in or outside India.

(k) As the institution of "managing agent" has been abolished, it is proposed to omit the references to managing agents in sections 30A to 30D of the Act and make the necessary consequential changes therein.

(l) The form of declaration of fidelity and secrecy contained in the Schedule to the Act is proposed to be substituted so as to bring it in line with that contained in the Industrial Development Bank of India Act, 1964.

(m) The other changes proposed in the Act are of a minor or consequential nature.

The Bill seeks to achieve the above objects.

NEW DELHI:

The 18th December, 1985.

VISHWANATH PRATAP SINGH,

FINANCIAL MEMORANDUM

Consequent to the amendment proposed in clause 3 of the Bill, the authorised capital of the Industrial Finance Corporation of India may be increased to such amount not exceeding Rs. 250 crores as the Central Government may fix from time to time by notification in the Official Gazette. Since under section 5 of the Industrial Finance Corporation Act, 1948, the shares of the Corporation shall be guaranteed by the Central Government as to the repayment of the principal and the payment of an annual dividend at such minimum rate as may be fixed by the Central Government at the time of issuing the shares, when the Corporation issues further shares, the Central Government shall have to give similar guarantees for the shares so issued. Further, in the event of the Central Government at any time, deciding, in terms of section 36(1) of the Act, to acquire the shares held by shareholders other than the Industrial Development Bank of India, the Central Government will be required to pay to the shareholders an amount equal to the paid-up value of the shares together with a premium calculated at the rate of one per cent. of the paid-up value for every year from the date of issue to the date of acquisition by the Central Government, subject to a maximum of ten per cent. In such eventuality, to the extent of additional shares issued out of the increased authorised capital, the liability of the Central Government will increase.

2. Clause 13 of the Bill seeks to amend section 21(3)(b) of the Act to delete the proviso in the section which provides that the Corporation cannot borrow more than Rs. 15 crores from the Reserve Bank of India for carrying out its functions. The bonds and debentures of the Corporation referred to in the section are guaranteed by the Central Government in terms of sub-section (2) of section 21 as to the repayment of the principal and interest. It is, therefore, likely that the contingent liabilities of the Central Government in respect of the guarantees will also be increased.

3. The financial implication arising out of clause 3 and clause 13 of the Bill are not capable of being quantified at this stage.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 2 of the Bill seeks to insert a new sub-clause (xvii) in clause (c) of section 2 of the Industrial Finance Corporation Act, 1948, empowering the Central Government to include within the definition of "industrial concern", by notification in the Official Gazette any other activity, having regard to the objects of the Act.

2. Clause 3 of the Bill seeks to empower the Central Government to increase the authorised capital of the Industrial Finance Corporation of India, from time to time, by notification in the Official Gazette. The power conferred on the Central Government by this clause is subject to the maximum limit of two hundred and fifty crores of rupees.

3. At present under section 30A of the Act, the Corporation has power to appoint Directors of an industrial concern when management is taken over. With a view to securing greater flexibility, particularly in the case of industrial concerns which are cooperative societies, clause 16 of the Bill seeks to give choice to the Central Government to appoint either Directors or an Administrator.

4. Clause 17 of the Bill seeks to make the necessary consequential amendment in section 30C of the Act to provide for the prescribing by rules or regulations the powers and duties of such Administrators.

5. The delegation of the legislative power under clauses 2, 3 and 4 of the Bill is normal in character.

SUBHASH C. KASHYAP,
Secretary-General.